


ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: David Johnston, SO4 Team Leader 

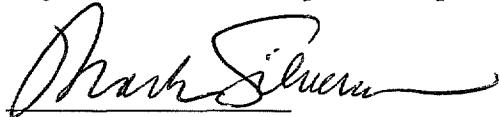
SUBJECT: Project Assistance Completion Report of the "Rural Equitable Economic Growth Project " (CRECER) No. 519-0397

DATE: February 9, 2001

In accordance with ADS 203 (Managing for Results: Monitoring and Evaluating Performance) and USAID/El Salvador Policy (Mission Operation Manual, Chapter 770), attached is the Project Assistance Completion Report (PACR) for the "Rural Equitable Economic Growth Project " (CRECER) No. 519-0397. The PACR summarizes accomplishments of the Project. It includes Lessons Learned, Conclusions and Recommendations.

RECOMMENDATION:


That you approve the attached Project Assistance Completion Report.

Approved 

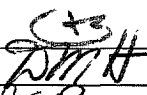
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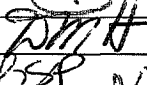
Date 6/18/01

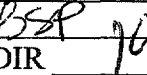
ATTACHMENTS: Chemonics contract data

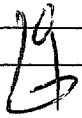
Drafted by: RCuellar, SO4  Date 2/8/2001

Cleared by:

FBreen, CONT 

DHarrison, SDO 


BPaige, OCG 

RGoughnour, DDIR 

Date 5/31/01
 Date 5/31/01
 Date 6/3/01
 Date 6/11

Office of the Controller

REVIEWED

 06/12/01
 DATE 06/12/01

ACTIVITY ASSISTANCE COMPLETION REPORT
RURAL EQUITABLE ECONOMIC GROWTH (CRECER)

519-0397

I- INTRODUCTION

USAID/El Salvador signed a \$ 20 million (including \$5 million in counterpart), five-year, Grant Agreement with the Government of El Salvador in May 1995, to implement the Rural Equitable Economic Growth (CRECER) project. Subsequently, in September 1995, USAID/El Salvador signed a \$12.9 million (later reduced to \$12.532 million), five-year, contract with Chemonics International to carry out the project. Chemonics in turn, sub-contracted with the Cooperative League of the United States (CLUSA), the World Council of Credit Unions (WOCCU) and the Instituto Interamericano para la Cooperacion en Agricultura (IICA), to carry out the three components, which are listed in the following paragraph. The contract ended in September 30, 2000 as well as the Grant Agreement with the GOES.

CRECER was divided into three components: 1) Rural Enterprises: Agricultural enterprises, implemented by CLUSA and Non-Agricultural enterprises implemented by Chemonics itself; 2) Rural Financial Enterprises, implemented by WOCCU; and 3) Rural Policy Formulation, implemented by IICA. In addition, Project Management and Monitoring and Evaluation responsibilities were performed by Chemonics. Each component was carried out by a separate project unit, comprised of expatriate and Salvadoran personnel.

II. GOAL AND PURPOSE

The Goal of the Rural Equitable Economic Growth Project (CRECER) was increased equitable economic growth. The purpose of the Project was to reduce rural poverty.

III. FINANCIAL STATUS

The contractor, Chemonics, is still liquidating remaining expenditures under the contract. As of December 31, 2001, the financial status is as follows:

ELEMENT	BUDGET	OBLIGATIONS	DISBURSEMENTS	PIPELINE
RURAL ENTERPRISES AND ORGANIZATIONS	\$4,500,000.00	\$4,500,000.00	\$4,464,283	\$35,717
RURAL FINANCE	\$4,600,000.00	4,600,000.00	4,567,168	32,832
POLICY & MANAGEMENT	\$5,200,000.00	3,432,000.00	3,398,311	33,689
USAID MANAGEMENT COSTS	\$700,000.00	470,000.00	441,682	28,318
TOTAL	\$15,000,000.00	\$13,002,000.00	\$12,871,444	\$130,556

Note: It is expected that all funds under the contract will be expended.

IV. END OF PROJECT STATUS

A. Rural Enterprises Component

End-of-Project Output (Contract)	Status
An estimated 10,000 rural families will benefit. Measured by the number of rural families receiving marketing and other services from strengthened rural enterprises and organizations.	Organized 13,283 agricultural producers in cooperatives or as individuals. Of these, 11,623 (88 percent) were affiliated with CRECER-assisted organizations; the rest (12 percent) were affiliated with rural enterprises using the services of CRECER organizations. The non-agricultural component assisted 191 families.
Thirty (30) member-owned organizations: fifteen (15) at the secondary level, including agroindustries, and fifteen (15) affiliated primary-level organizations producing diversified crops and delivering production, post-harvest handling, processing, and marketing services to farmer members in a cost-effective manner.	Assisted 38 member-owned organizations, including 20 secondary-level organizations, 14 primary-level organizations, and four third-level organizations (regional organizations and the CONSALCOOP and CONFENACOA confederations). A former primary-level organization (CORALAMA – La Marañonera) was reclassified as an agroindustry.
Eight (8) agricultural producer (commodity-specific) groups receiving and/or delivering a range of production, marketing, technical, and legal assistance, as well as policy advocacy on behalf of the growers.	Provided planning, marketing, processing, and research support for 10 commodities: coffee, cashew, sesame, lemongrass, basic grains (corn, rice and sorghum), honey, organic brown crude sugar, and organic fertilizer. CRECER also pursued research in cashews, rice, and honey. Directly supported planning and evaluation of the results of planting commodities on 8,205 hectares falling into six agricultural categories. Supported the creation of technical manuals for coffee production, cashew production, and apiculture. Manuals distributed to entrepreneurs, technicians, universities, NGOs, and departments within Ministry of Agriculture.

End-of-Project Output (Contract)	Status
<p>Two (2) regional member-owned organizations are profitably providing services to their members, such as input procurement and distribution, packing, storage, transport, and marketing.</p>	<p>Developed service activities (grain and agricultural supply sales) through the Sonsonate Regional Organization, comprising five service organizations (<i>Asociación de Productores CRECER, ASID, ADECPRO</i> and two federations of <i>CONSALCOOP</i>).</p> <p>Expanded into the municipalities north of Sonsonate. Legalized associations in Ahuachapán and Santa Ana.</p> <p>Developed and implemented a network of agribusiness centers throughout the region, classified and distributed as follows: <i>agrobodegas</i> – Sonsonate (Ishuatan, Santa Rita and Miramar), Ahuachapan (Tacuba and Atiquizaya), and Santa Ana (Metapan and San Jacinto); <i>agromercados</i> – Sonsonate (San Julian), Ahuachapan (Ahuachapan and Atiquizaya), and Santa Ana (Metapan and Santa Ana).</p> <p>In San Vicente, consolidated and legally constituted Sonsonate's sister regional organization in Lempa Acahuapa, the ParaCentral region. It includes three groups: the irrigation district of Lempa-Acahuapa, producers affiliated to CONSALCOOP and CONFENACOA, and the CORDES-coordinated group in the Bajo Lempa (SES, IDES, and MES). Conducted a study focused on improving the management capacity of CONSALCOOP and CONFENACOA. Helped the two confederations identify 13 and 11 projects, respectively, and present five institutional strengthening projects to international donors.</p>

End-of-Project Output (Contract)	Status
<p>Ten (10) small/medium-sized non-farm enterprises created or expanded and operating profitably and creating employment opportunities in rural areas in light industry, commerce, and the service sector.</p>	<p>In Ilobasco and Nahuizalco, 54 small enterprises sell a variety of products through three cooperative-owned stores. ARTECRECER in Ilobasco opened a showroom and produces handicrafts in the name of the cooperative. Work emphasized product innovation. Prepared a manual with new <i>fachada</i> designs in clay and wood. Brought an international consultant to work with artisans to improve product quality and design for foreign markets. Organized "Looking for Ourselves" achievement day, sponsored by BCIE. Helped the cooperative prepare quarterly financial statements and paperwork necessary to receive a second BCIE grant disbursement.</p> <p>Helped San Carlos Lempa cooperative consolidate its accounting; trained board of directors in accounts preparation. Helped cooperative prepare meeting minutes for different committees.</p> <p>Through a specialist, helped MOJE, an ex-gang group, improve handicraft design to make products more marketable.</p>

B. Rural Financial Enterprises

CRECER assisted 13 credit unions over the life of the project. The project discontinued assistance to two of the credit unions (Cooperativa Financiera Avance and Cooperativa El Esfuerzo) at the end of December 1999 as a result of their lack of dedication to CRECER principles and methodologies. The data presented hereafter includes recent quarterly activities for the 11 remaining credit unions.

This final report contains information through June 30, 2000, for 10 of the 11 participating credit unions. Only the Cooperativa Financiera Dinamica (ACCOVI de R.L.) was unable to close its books in the established time frame.

End-of-Project Output (Contract)	Status						
A minimum of 20,000 rural clients served.	Thirteen (13) CRECER-assisted credit unions (including the 2 expelled) assisted 76,987 clients (members, youth members, and third-party savers), as per the total reported in USAID indicators. The 11 credit unions remaining in the project served 72,189 clients.						
Fifteen (15) credit unions and 1 or 2 NGOs institutionally strengthened and providing competitively priced financial services (savings and loans).	Worked with 13 credit unions and 2 NGOs. Provided institutional support to FEDECACES, 6 branch offices, and 3 credit union agencies. Credit unions provided service at 22 locations. An additional 15 credit unions affiliated with FEDECACES partially adopted the methodology, financial discipline, and structural changes promoted by CRECER.						
A minimum of \$4 million in new local savings will be mobilized and used to finance lending at market rates of interest for agriculture and small and medium-scale rural enterprise by the end of the project.	<p>As of June 30, 2000, 10 credit unions had mobilized \$16.3 million in savings, current accounts, time deposits, and youth savings programs. Credit unions adopted an interest rate policy that allowed savings to maintain their real value.</p> <p><u>Savings:</u></p> <table> <tr> <td>As of Dec. 31, 1995</td><td>\$5.5 million</td></tr> <tr> <td>As of June 30, 2000</td><td>\$25.5 million</td></tr> <tr> <td>Increase</td><td>\$19.0 million</td></tr> </table>	As of Dec. 31, 1995	\$5.5 million	As of June 30, 2000	\$25.5 million	Increase	\$19.0 million
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An accumulated total of 80 percent (\$3.2 million) of savings accumulated will be re-lent to finance farming and related rural industries, commerce, micro and small-scale enterprise, housing, and other rural household needs over the life of the project through participating credit unions and nongovernmental organizations.	<p>Net loan portfolio of 10 cooperatives increased to \$20.7 million through June 2000. C.U. Dinamica had a net portfolio of \$ 11.3 million through March 2000. Consolidated, 11 credit unions had a net portfolio of \$32 million.</p> <p><u>Loans:</u></p> <table> <tr> <td>As of Dec. 31, 1995</td><td>\$15.2 million</td></tr> <tr> <td>As of June 30, 2000</td><td>\$32 million</td></tr> <tr> <td>Increase</td><td>\$16.8 million</td></tr> </table>	As of Dec. 31, 1995	\$15.2 million	As of June 30, 2000	\$32 million	Increase	\$16.8 million
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Legal and regulatory change leading to an improved environment for rural financial institutions and a stronger set of regulatory mechanisms that will govern both savings and lending services.	New law for financial intermediaries passed and published in the <i>Diario Oficial</i> on March 31, 2000 and became effective January 1, 2001.						

End-of-Project Output (Contract)	Status
<p>Review and summarize existing or proposed legislation in other countries that governs alternative, non-bank financial intermediaries, such as banks for micro and small businesses, village and/or rural banks, etc.</p> <p>Analyze the requirements for loan agreement enforcement and foreclosure and recommend measures to streamline and simplify procedures for creditors while still protecting the rights of borrowers. Draft modifications to the current laws.</p> <p>Recommend supervisory mechanisms and authorities that could be established to oversee operations and protect depositors and shareholders of non-bank intermediaries.</p>	<p>Provided logistical support to the Financial Commission of the Legislative Assembly to assist in final review of the law. Trained Superintendency of Banks personnel to facilitate implementation of the law.</p>

C. Sectoral Policy Support

End-of-Project Output (Contract)	Status
Rural poverty reduction strategy developed.	<p>Raised awareness of the rural poverty situation among government officials and key economic agents through dialogue with diverse sectors of the economy. The elected president, his advisors, and government officials continue to state that combating poverty and promoting rural development is a priority for the administration. Among other concrete actions, the government has invested in rural infrastructure, opened lines of credit for agriculture, and continued to support the transfer of technology.</p>
Ministry of Agriculture skilled at maintaining stable sectoral policy, regulatory, and legal framework.	<p>Strengthened analytical capacity of the ministry. The head of OAPA directly requested the ministry to find a mechanism to continue CRECER support. The ministry was researching the possibility of retaining the services of specific individuals to continue strengthening OAPA and transferring critical analytical technologies.</p>

V. EVALUATIONS.

MID-TERM EVALUATION

During October-November 1998 the mid-term evaluation was carried out by Cargill Technical Services. The major conclusions are quoted from the evaluation report and follow:

“The evaluation team has found that since the inception of the CRECER activity all three project components have yielded positive results within the framework of the project design. The demand for the services that are provided by each one of the project components is visible given the strong positions and expressions of support from their beneficiaries. The team feels that the project is reaching the intended sector, viz. the rural poor, and that significant impacts have been achieved in both tangible and intangible terms. Despite a shift in strategic objectives due to the internal USAID reengineering that took place subsequent to the project start-up, the CRECER activity was generally implemented according to design parameters. The only amendment to the project slightly modified the outputs for the Rural Enterprise (RE) component, although the Policy (POL) component experienced a redefinition of expected results.

Apart from the contract amendment, the only significant deviation made in the contract is the change in activities of the monitoring and evaluation unit. The original description of the responsibilities of the monitoring and evaluation unit includes the establishment and maintenance of a system to integrate formal and informal evaluations and other inputs required to evaluate project activities. Surveys were also to be implemented throughout the life of the project, and were to gather data from households, samples of participants in project components and institutions involved in the project. To date, the CRECER monitoring and evaluation system is focused at the macroeconomic level and is based on a household survey. The system never evolved to include the impact on the beneficiaries from an operational point of view, although it was considered early on in the project.

Despite its success, CRECER continues to be a project challenged by its original three-component design. Each subcontractor seems to have brought its own perceptions and model to the project, and due to the way the project is managed within USAID and outside it, the overall concept for the project is weak. Nonetheless, the subcontractors (CLUSA/NCBA, IICA and WOCCU) perceive that the contractor (Chemonics International) has involved all project players to a great extent, and seem to understand the challenges presented by the unique project design.

From the point of view of integration, the design of the original project along the lines of three distinct components and the way it is managed at USAID and at the CRECER office emphasize the division and do not promote integration of the individual components. At USAID, one manager is assigned to each component, but no one person seems to actively oversee the project on a daily basis to bring together the three components. At the

CRECER office, the extent to which component coordinators work together to solve challenges of their individual components is somewhat limited due to the way in which the components have evolved, rather than to the willingness of the coordinators to solve a problem. The options for integration are therefore that the components are maintained together under the umbrella of one implementing agency or project, CRECER, or that they are separated. Although it would be difficult to justify maintaining the components together based on the concept of integration, there should not be any doubts about the useful synergy taking place under the current arrangement.

In fact, one of the most important synergy effects is the opportunity for the CRECER staff to maintain continuous interactions among themselves and learn from the experiences and knowledge of each other. There are also economies of scale and logistical cost saving advantages by functioning as one project rather than several separate ones. In addition, it is also reasonable to expect that some interaction among components might arise as the individual components get closer to meeting their objectives. Also of great consideration is the possible chaos and demoralization of staff that would likely arise as a result of splitting the project at this stage in time. The fact that policy analysis is the weakest component from the viewpoint of justifying the expenditure of grant funds to finance it is also a consideration. At this stage of El Salvador's progress in the policy area, it appears more reasonable to use grant funds only for those components that affect the poor in a more direct and immediate manner. The government should finance with its own funds its policy analysis efforts.

Despite the above comments about the policy analysis component, the evaluation team recommends that the three components be maintained under the current structure through the project completion date given that: (1) all three components are making progress and generating good results, (2) the benefits already achieved by a given component could be reduced or eliminated if the component is eliminated, (3) funding is still available in the overall project for each component."

FINAL EVALUATION

The Mission concluded that it was not necessary, nor required, to carry out a final evaluation of the project.

VII. CONCLUSIONS, LESSONS LEARNED, AND RECOMMENDATIONS.

During the life of the CRECER project some valuable lessons were learned. From these lessons important conclusions have been drawn about the best ways to implement a long-term technical assistance project.

1. Technical Assistance

The overarching lesson of CRECER is that the success of any project critically depends on client and counterpart buy-in to the activity. It is absolutely necessary for the technical assistance team to do the job well, treat clients with respect, demand active participation, recommend practical applications, and provide follow-up.

2. Strengthen Organizations from the Bottom Up

The only way to build effective, sustainable institutions is from the bottom up. CRECER invested an immense amount of time, energy, and human and financial resources to create producer associations that would continue to grow and prosper after project assistance concluded. CRECER worked diligently to comprehend and tackle the challenges to economic growth in rural El Salvador, and designed a strategy to overcome these challenges in collaboration with local rural actors.

3. Change Attitudes toward Collaborative Production

Working with non-agricultural clients – primarily artisans – was much more difficult than originally anticipated. After many efforts to introduce Salvadoran artisans to new production techniques and business opportunities, CRECER concluded that most artisans were reluctant to adopt new practices and change their mind-set from artisan to entrepreneur.

Unlike agricultural producers, who were willing to pool resources to market their products more efficiently, artisans were reluctant to collaborate for fear that their designs would be copied and their prices undercut by competitors. This made it difficult to establish the trust and mutual confidence necessary to transform cottage industries into market-oriented enterprises.

Based on this conclusion, it is recommended that future artisan projects target attitudes toward collaborative production before providing technical assistance to improve production and design. CRECER tackled these two tasks in reverse. In hindsight, this subcomponent would have been more effective if it had concentrated on team building and achieving true consensus before providing production and design assistance.

4. Focus on Financial Discipline to Change Practices and Habits

Among the many lessons learned from the rural financial enterprise component, the most important is that a persistent emphasis on financial discipline pays off in the long run.

When CRECER first began working with rural credit unions, the managers of these institutions were extremely reluctant to change their practices. However, over time and with constant encouragement from CRECER technical advisors, credit union managers changed their mindset. At the end, credit union managers ranked financial discipline as the project's most important impact. Statistics buttress these findings. Consolidated

delinquency rates dropped from 34.2 percent in 1996 to 11.3 percent in 1999. Loan loss provisions to cover 100 percent of delinquent loans over twelve months were put in place in all but two credit unions. By the end of 1999, six credit unions had a net capital ratio greater than 7 percent, and four had surpassed the WOCCU standard of 10 percent.

Based on this clear evidence of success, it is recommend that all projects with a financial enterprise component dedicate time and resources to improving financial discipline, as well as developing new products and services. Frequently, the latter activity is tackled first because it can achieve rapid results. However, over the long term, strengthening the financial discipline of credit union managers allows credit unions to expand and serve a larger market.

5. Tackle Policy on Multiple Fronts

In the policy area, it was difficult to effect significant policy change in the midst of political turbulence and economic recession. Although CRECER succeeded in significantly strengthening the capacity of government decision makers to analyze data and draw conclusions, as evidenced by CRECER's contribution to the government's new agricultural and rural poverty strategies, the ability to influence national policy was limited by a change of government. CRECER's policy efforts were also hampered by concentrating on a single ministry, the Ministry of Agriculture. Although CRECER was frequently able to persuade decision makers in the ministry to modernize specific aspects of sectoral policy, its efforts were sometimes quashed by other ministries and/or agencies with competing interests.

To mitigate against this in future projects, it is recommend that future policy projects be designed to have a presence in several ministries and agencies to tackle policy issues from different angles, building widespread consensus.

6. Training

One accomplishment that spanned all project components was CRECER's ability to structure and host effective fora, workshops, and other training events. An internal review of the training component concluded that these events were very successful. The targeted persons attended, specific goals and objectives were achieved, and the resulting discussions measurably raised the level of understanding of key messages and issues.

CRECER's success in training was linked to the efficient administration of these events. We recommend the following techniques to ensure successful training:

- Hold workshops outside the capital, in areas near clients.
- Hand-deliver invitations; follow up with phone calls whenever possible. Events should be well organized and professionally presented (printed name tags and folders, good food, comfortable venues, professional sound systems, taping of sessions, timely and professional document preparation and distribution).
- Provide meals, as many participants, many of them poor, travel long distances.

- Combine panel presentations with discussion and breakout sessions to keep the audience engaged.
- Pre-assign participants to working groups to ensure full representation of all issues and opinions.
- Each working group should comprise 8-12 persons, including two project team members. This encourages participation without allowing any one person to dominate the discussion.

Promoting open discussion and pre-assigning each participant to a working group were especially effective in producing realistic, practical recommendations. The CRECER team heard repeatedly that this format allowed bankers and producers to discuss their problems frankly – in many cases for the first time – and develop solutions together.

7. Technology

Using digital camera, laptop computers and LCD projectors allowed CRECER to complement presentations and use pictures to communicate points to illiterate farmers. High-speed laptops and software allowed organizers to work efficiently with associations and producers to compile business projections and strategic plans in their own places of business.

Based on the positive response of CRECER clients to the use of these technologies, it is recommended that all projects consider using these media for education, training, and information dissemination.

8. Contract Management

The three components of CRECER – rural agricultural enterprises, rural financial enterprises, and policy – should have been better integrated. In part, the lack of integration may be attributed to the fact that each of three subcontractors was responsible for implementing one of the three components. The disaggregation of the project was also fueled by having three separate project officers in USAID, each focused on only one component.

Second, CRECER reports did not always provide USAID with the information it needed to make decisions and report to Washington. This was because USAID/El Salvador was reengineered according to a strategic objective framework shortly after CRECER began operations, but the contract was never modified to reflect this change.

The lesson learned from this experience is that the contract should have been amended during implementation to reflect changes in the mission's strategy and results framework.

VIII. COUNTERPART CONTRIBUTION

Chemonics reported in the last quarterly counterpart contribution report (June 30, 2000), a contribution of \$11.049 million, which was higher than the one required by the Grant Agreement (\$5 million).

IX. CONTINUING USAID POST-PROJECT MONITORING RESPONSIBILITIES

Continue the process of reimbursement of expenditures until Chemonics submits the final voucher.

Contract Data

Contract No.	519-C-00-94-00154-00 (formerly 519-0397-C-00-4154-00)
Total level of effort (implementation)	1306.9 person-months
Total estimated cost	\$12,925,062
Obligated amount	\$12,925,062
1. Cumulative level of effort (implementation)*	1226 person-months
2. Unused level of effort	80.9 person-months
3. Cumulative expenditures through September 2000**	\$12,836,047
4. Remaining unexpended balance	\$89,015
5. Remaining unexpended obligated	\$0

* Cumulative level of effort was revised as a result of an audit to account for all professional level of effort dedicated to the project during the contract life – short-term, long-term, and home-office.

Although our contract budgeted both the local accountant and the office manager as professionals, neither position was billed as professional in an effort to respect cost consciousness. If the level of effort for these positions is applied to the cumulative professional level of effort for implementation, the total number of person-months expended increases by 118 person-months to 1,344 person-months.

** Cumulative expenditures through September 2000 do not reflect all costs incurred through September 2000, but all costs billed through September 2000. During the next few months we will bill all remaining costs incurred prior to September 30, 2000.